

Preparing for Retirement



ERS November 2007

Choosing Your Monthly Retirement Benefit

Contact an ERS Retirement Counselor

When a member submits a retirement application to the ERS, the staff calculates the monthly benefit under the Maximum Monthly Benefit and the Optional Monthly Benefits. This information is mailed to the retiring member along with the RETIREMENT BENEFIT OPTION SELECTION AND TAX FORM PACKET and POSTRETIREMENT EMPLOYMENT OPTIONS memorandum. The member must complete the RETIREMENT BENEFIT OPTION SELECTION form by selecting the retirement benefit the member wishes to receive. The form must be received by the ERS no later than the day prior to the effective date of retirement.

If no election of an option is made prior to the effective date of retirement, the law specifies that the member will receive the Maximum retirement benefit. Once the member retires, the monthly benefit cannot be changed. If you have any questions, please contact the ERS at 800-214-2158 and speak to a retirement counselor. It is **highly advisable** to attend an ERS Retirement Preparation seminar and visit with a retirement counselor before you retire. More information is available on our Web site at www.rsa.state.al.us.

Maximum Monthly Benefit

The Maximum Monthly Benefit is the largest monthly benefit available to a retiring member of the ERS. This benefit is a lifetime benefit paid to the retiree on a monthly basis. This benefit is calculated based on the member's average final salary *times* service credit *times* the retirement factor of .020125 (.02875 for State Police). At the death of the retiree, all monthly benefits cease. The designated beneficiary(s) will receive a one-time prorated payment covering the days of the month that the retiree was still living.

Optional Monthly Benefit

A member may provide a benefit for a beneficiary by selecting one of the following options.

Option 1

The monthly benefit under Option 1 is slightly less than the Maximum. This benefit is a lifetime benefit paid to the retiree on a monthly basis; however, if the retiree dies prior to receiving annuity payments exceeding his or her account balance, the remaining balance will be paid to the designated beneficiary(s).

Option 2 (100% Survivor Benefit)

Option 2 allows the retiree to receive a reduced benefit over the life of the retiree in return for allowing the designated beneficiary (only one beneficiary may be designated) to receive the same lifetime benefit after the retiree's death. The benefits are based on the ages of the retiree and the beneficiary. Once the member retires, he or she cannot change their beneficiary unless the beneficiary predeceases the retiree or if the retiree and the beneficiary become divorced. See **Replacement Beneficiary**.

Option 3 (50% Survivor Benefit)

Option 3 allows the retiree to receive a reduced benefit over the life of the retiree in return for allowing the designated beneficiary (only one beneficiary may be designated) to receive one-half of the retiree benefit over the beneficiary's lifetime after the retiree's death. The benefits are based on the ages of the retiree and the beneficiary. Therefore, once the member retires, he or she cannot change their beneficiary unless the beneficiary predeceases the retiree or if the retiree and the beneficiary become divorced. See **Replacement Beneficiary**.

Option 4

Members may elect to receive a monthly benefit actuarially equivalent to the regular retirement benefit. The ERS Board of Control must approve this option. The monthly benefit paid to the beneficiary cannot exceed the limits determined by federal taxation laws.

Replacement Beneficiary

Retirees who elected joint survivor options (Option 2, 3 or 4) at the time of retirement may name a new beneficiary under either of the two following conditions:

If the named beneficiary dies before the retired member

Or

There is a divorce between the retired member and the beneficiary

The retired member should contact the ERS for information and forms. Generally, there will be a recalculation of the benefit amount for the retired member and beneficiary. The replacement beneficiary must be in place for at least two years to become effective. However, if the retired member dies within this two year period, no monthly survivor benefit is payable.

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To have your questions answered in "Preparing for Retirement", please address them to:

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